

HAFP-0031-Minnesota Treasury Feedback for Resubmission of Plan

Please revise the HAF plan by providing a response to the question(s).

Completeness

The participant's response(s) to the following questions was/ were either incomplete or unresponsive:

- **Your plan lists Jessica Deegan as the Authorized Official, while the original application for HAF payments was signed by Jennifer Ho. To ensure prompt payment upon approval, the Authorized Official needs to be the same as the signatory on the original application for HAF payments. If you need to establish a new authorized representative for HAF payments, a request should be submitted by email to HAF@treasury.gov.**

We have submitted a request to establish Commissioner Jennifer Ho as the new authorized representative to the HAF@treasury.gov email, and Jennifer is the authorized signer of the plan.

Homeowner Needs and Community Engagement Data

- No questions.

Community Engagement and Public Participation

- **Please describe any coordination you intend with Tribes or Tribal entities.**

The HAF program was discussed at Governor Walz's Tribal meeting on August 12, 2021. The Commissioner provided an overview of the state's proposed HomeHelpMN COVID-19 Homeowner Assistance Fund program, affirmed that Tribal members are eligible for the HomeHelpMN program and would also be receiving direct, but separate, HAF allocations. The Commissioner asked Tribal members if there had been any Tribal consultations with Minnesota tribes, but there had not been any at that time. We are also planning to address the potential for duplicate requests for assistance, should that become a possibility, with our HomeHelpMN program and separate Tribal programs.

Our Tribal liaison is in regular communication with Tribes, especially Tribal Housing Directors, in Minnesota and will continue to share information on the state HAF program.

- **Please provide an update indicating any public comments you have received since you submitted your HAF Plan, from which organization you received any such comment, and whether you have responded to the comments.**

We held a public comment period (in addition to a public hearing) with the comment period closing on June 23, 2021, prior to submitting the HAF plan. While we have not received additional public comments, we have hosted a monthly meeting with loan servicers since August, and we hosted a listening session with foreclosure counseling organizations and legal service providers in early November. Key takeaways from these meetings are outlined below:

Foreclosure counseling/legal services listening session:

- Discussed how best to triage clients with imminent threats of housing instability based on where the homeowner is in the foreclosure timeline
- Reviewed trends counselors are experiencing with clients as they come out of forbearance and the loss mitigation strategies available to homeowners (depending on loan product type)
- Highlighted concerns over how aggressive some HOAs are to pursue foreclosure
- Reviewed experiences and support need of limited English proficiency homeowners seeking counseling
- Noted other trends, such as tax delinquencies increasing in certain parts of the state

Loan Servicer monthly discussion:

- Discussed how to operationalize a loan modification under Minnesota Housing's HAF program
- Data or other documentation requirements loan servicers may, or will, request from borrowers
- Important considerations needed to execute the Tri-Party Authorization and Collaboration Agreements, and timing needed to enter into agreements
- How the loss mitigation waterfall will/can work with the HomeHelpMN program

Ongoing Assessment of Homeowner Need

- No questions.

Program Design

- **Will there be a method in your HAF program, early in the process of engaging with a household, to evaluate immediate threats to the housing stability of applicants, which may need to be addressed under an expedited or prioritized timeline (e.g. HOA liens, tax delinquencies, utility shut off)?**

Yes, Minnesota Housing is building a series of triage and escalation questions that our call center vendor will implement upon launch of the HomeHelpMN program to evaluate immediate threats to the housing stability of applicants. These questions will be incorporated prominently in the pre-screening and intake process. For example, we plan to prioritize applicants for referrals to housing counseling and/or legal services who indicate that they have received a Notice of Sheriff's Sale, delinquent real estate tax judgement sale date, a lift of stay notice, or who are at the end of the redemption period and have received a property eviction date. We will continue to work with housing counselors and legal service providers to refine the triage questions to provide appropriate escalation pathways for homeowners. While the HomeHelpMN program will not provide utility assistance, we are partnering with the Department of Commerce, who has utility assistance available, to direct homeowners efficiently on where to go for that assistance.

- **Please describe how your program will utilize housing counselors or legal services to assist homeowners in evaluating loss mitigation options available for their mortgage. Your descriptions should include:**

Minnesota Housing supports HUD-certified housing counseling in Minnesota in three key ways: first, we provide funding to housing counseling organizations with state appropriations; second, we support housing counseling organizations to provide more intensive one-on-one counseling with agency resources; and third, we provide funding to a statewide housing counseling intermediary. While we had initially anticipated supporting housing counseling and legal service providers with HAF funding, had issued an RFP for services and had budgeted \$6.4 million for this, subsequent to submitting our HAF plan for U.S. Department of the Treasury approval, the statewide housing counseling intermediary received a significant NeighborWorks counseling award. As a result of this, and additional funding that has been secured, the statewide counseling intermediary has indicated they have sufficient financial capacity to support the housing counseling need in Minnesota. Given these financial resources, we are currently not budgeting HAF funds for housing counseling.

We are adjusting our budget need from \$6.4 million for counseling services to \$750,000 to cover costs for legal services. These services need to expand given the current capacity and income limit restrictions that the state's most current active legal service providers are able to serve. With the adjusted budget for legal services, we anticipate being able to support legal service needs under the program's estimated volume of need (which we acknowledge could still be subject to change) and in alignment with the 100% AMI level as proposed under the HomeHelpMN program.

- **whether your program will connect homeowners with housing counseling or legal services early in the process.**

Yes, Minnesota Housing refers all HomeHelpMN inquiries to HUD-certified housing counselors, now, and will continue to provide this referral option. We are also building triage and escalation questions our call center vendor will implement upon launch of the HomeHelpMN program. One of the key triage questions asks homeowners to identify if they are able to continue to afford making scheduled mortgage payments. Homeowners who are unsure, or who answer no to this question, or who otherwise indicate they would like housing counseling support to better understand their financial budget to determine ongoing mortgage payment affordability, will be referred to a housing counselor. Similarly, a set of triage questions will help identify cases where a legal services referral is more appropriate, such as in cases of an imminent sheriff sale that may already be scheduled at the time a homeowner contacts the HomeHelpMN program.

- **the role housing counseling or legal services providers will play in supporting homeowners' efforts at engaging in loss mitigation.**

As a result of the early and ongoing referrals we have been making to housing counseling, by the time the HomeHelpMN program launches, many homeowners will have been referred to housing counseling to support loss mitigation efforts. For those homeowners who have not directly engaged with their loan servicer or a housing counselor around loss mitigation, we expect to make referrals to housing counseling in cases where additional support is needed to determine the household budget and whether the ongoing mortgage payment is affordable or not. All homeowners will be assessed based on answers to key triage questions around whether they can afford to make ongoing mortgage payments (sustainability) prior to using HAF funds to reinstate the borrower, or in cases where a borrower may be eligible for a HAF loan modification.

- **How will your program leverage resources available through a loss mitigation process to benefit eligible homeowners and how will your program avoid using HAF funds in ways that duplicate relief that available loss mitigation options might provide?**

Our proposed program structure first asks if a homeowner has accepted a loss mitigation option from their servicer. If they have, they are not eligible for our program. We made this decision based on conversations with servicers, housing counselors and other HFAs with the goal of not creating barriers in the process between the servicer, their investor, and the homeowner; not causing any delays in homeowners getting the assistance they already accepted; and preserving the HAF dollars for homeowners who don't qualify for loss mitigation options. Our reinstatement and modification options meet borrowers on both ends of the loss mitigation waterfall: for borrowers that have the ability, sustainably, to resume making previously scheduled payments, our program can help get them caught up with no additional/future financial burden and no impact on any future loan workout options that they may possibly need. For borrowers that can't reinstate after being advised to review and work with their servicer on other loss mitigation options that are available in the current waterfall, and if they

still need financial assistance to make that loan modification term financially sustainable for them, our program can help.

- **Please explain what steps, if any, your program will take to assist the homeowner in determining whether a HAF-resolution will result in a sustainable monthly payment?**

As noted above, our triage questions anticipate asking homeowners key questions related to whether they have pursued and/or accepted loss mitigation already, whether they can continue to afford their existing mortgage payment if they were able to bring past due payments current, and if their COVID-19 hardship has been resolved. Homeowners who are unsure, or who answer no to the questions related to mortgage payment affordability or resolution of the COVID-19 hardship, or who otherwise indicate they would like housing counseling support to better understand their financial budget to determine ongoing mortgage payment affordability, will be referred to a housing counselor.

- **Are you anticipating increased winter home energy costs and their potential impact on the homeowners that HAF will serve?**

The State of Minnesota is anticipating increased winter home energy costs, especially for those that heat their homes with propane. The Department of Commerce estimates that the average total energy bill (across all heating fuels) will increase \$558 for the season.

While HomeHelpMN is not planning to include utility costs as an eligible expense for the program, we are coordinating closely with the Department of Commerce. Our understanding is that they have ample energy assistance funds available. The Department of Commerce has implemented several changes that may help homeowners with these increased costs:

- The Energy Assistance Program helps Minnesota households pay for current and past-due bills for electricity, gas, oil, biofuel and propane, emergency fuel delivery, and repair/replacement of homeowners' broken heating systems, and could also cover water and sewer bills. The Department of Commerce has raised the income eligibility limit for the Energy Assistance Program to 60% State Median Income. The benefit limits have also been increased, including up to \$1,600 for energy bills plus an additional \$1,200 for past-due energy bills.
- Water bill assistance is newly available and households can also qualify for weatherization. By submitting one application through the Energy Assistance Program, households could qualify for payments to cover both water and energy bills, and qualify them for the Minnesota Weatherization Program, also operated by the Department of Commerce. Weatherization helps households with home improvements to conserve energy and lower their energy costs permanently.
- The Cold Weather Rule protects residential utility customers from having electric or natural gas service shut off between October 1 and April 30 if they are in a payment program. The effective dates of the Cold Weather Rule were extended 15 days in the fall and 15 days in the spring by the Minnesota Legislature in 2021.

- **Your program set \$35,000 as the maximum amount of assistance per homeowner. Please explain how you determined this amount will be sufficient to resolve housing-related delinquencies and whether the cap will be sufficient in areas with higher housing costs?**

In setting the \$35,000 limit, our goal was to not only provide enough to support those most at risk of displacement who can sustain a mortgage going forward, but to also serve as many households as possible. The need for assistance is greater than the available resources. Providing more than \$35,000 in assistance per homeowner would reduce the number of households that we could serve.

To establish the maximum, we looked at a range of scenarios, which included:

- **A Typical Homeowner Needing a Full 18-Months of Assistance.** Based on the Black Knight data that we have received, we are expecting the typical mortgage needing assistance to have an original loan amount of about \$220,000. Assuming a 4% interest rate, the monthly PITI would be about \$1,600, and \$28,000 would be needed to cover the maximum 18 months of past-due payments.
- **A Higher Cost Home with a Loan Modification Option.** We are limiting the program to households with incomes at 100% of the median income. A household at this maximum, roughly \$100,000 (depending on the county), would be able to afford a \$320,000 original mortgage amount. For context, the median sale price of a home in Minnesota was \$275,000 in 2020 and \$305,000 in the Twin Cities metro area. A \$320,000 original mortgage with a 4% interest rate would have a monthly PITI of about \$2,350, and \$35,000 would cover about 15 months of past-due payments. Alternatively, assuming a borrower is 7 years into this mortgage, a \$20,000 principal reduction along with a 7-year term extension would reduce a homeowners' monthly payment by 20%. After the loan modification, a \$35,000 maximum benefit would leave \$15,000 to cover past-due payments, which would cover about 6 months.

If someone needed more assistance than the amount identified in these scenarios, their ability to sustain a mortgage going forward is likely more tenuous and we would refer the homeowner to a housing counselor who would proceed to support the homeowner with counseling support for a soft landing. Minnesota Housing may permit exceptions to the \$35,000 maximum assistance based on need.

Eligibility

- No questions.

Outreach

- No questions.

Prioritization

- No questions.

Performance Goals

- **Please explain how you intend to communicate your progress towards performance to the public.**

We will host a dashboard for the program on our website with key program metrics, similar to what we have for our Emergency Rental Assistance Program -

<https://www.mnhousing.gov/renthelpmn-dashboard>. The specific metrics would be tailored to our HAF program and plan.

- **Please indicate which three metrics will serve as the best indicators of the success of your program.**

The three most important metrics would reflect our primary program goals:

- Serve those at risk of housing displacement (data elements may include share of assisted homeowners broken out by income and information from screening/triage questions)
 - Equitably structure the program to reach households that are disproportionately impacted. (Data elements may include share of assisted homeowners broken out by race/ethnicity, region and SDI status)
 - Distribute assistance efficiently while delivering quality program services and managing to overall program integrity (data elements could include share of submitted applications broken out by various processing statuses.) Taking the time and resources to equitably reach and serve those most at risk of displacement will likely lead to somewhat slower distribution of assistance. More challenging situations will take more time. Balancing the three goals will be the key.
- **Please indicate whether you intend to disaggregate metrics by income, race, gender, etc.**

Yes, we will report disaggregated metrics on our dashboard and other reporting.

- **Please consider including as an additional metric the number of homeowners assisted/foreclosures prevented solely through counseling or legal services without payment of HAF funds to resolve the homeowner's defaults or delinquencies.**

- **NOTE: In response to your question in Attachment A, that funding for housing counseling or legal services may be used to assist any homeowner who meets the general requirements for eligibility under the [HAF Guidance](#). (See “Eligible Homeowners”, p. 5.) In addition, housing counseling assistance that aids a homeowner in obtaining loss mitigation assistance, rather than using HAF funds to reinstate their mortgage is consistent with the Guidance’s statement that Treasury encourages**

We will consider this and are actively collaborating with the statewide housing intermediary who tracks performance and outcome measurement for housing counseling organizations statewide.

Readiness

- **Please provide the most recent available information about your program's readiness, including staffing, contractors, etc.**

Minnesota Housing will manage the HomeHelpMN program using limited, dedicated in-house staff, and more significant support from outside vendors. We issued competitive Requests for Proposal for three primary services:

- Marketing and Outreach, including development of a strategic communications plan
- End-to-End Services, including support for a call center, software/technology and application processing through payment processing
- Community engagement services which will be conducted through community-based organizations who will amplify reach into SDI communities.

The marketing and outreach vendor has been selected, and we will use a BIPOC-led marketing firm who also brings experience with our statewide ERAP program. We are currently in final contract negotiations with the vendor. The End-to-End Services vendor selection recommendation is complete with all delegated authority approvals in place and contract negotiation underway. Upon execution of the contract, we will work expeditiously with the vendor to prepare for program launch. We have also finalized 10 recipients for grant-based funding for community engagement. We are working to have all Community Connector grant agreements in place by early 2022.

- **Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?**

Following completion of the procurement and contracting processes outlined above, we will work expeditiously to launch the program, with a best hoped for launch date in Q1 2022. Work is beginning now with the marketing and outreach contractor around strategic communications planning for a successful launch. Once the End-to-End Services contract is finalized, we are

prepared to begin and intense period launch readiness work. In preparation for this, we have already completed a draft of the Program Guide and the Pre-screening and Application, and have drafted homeowner triage questions for use by the Call Center.

- **Please provide updated information about your progress in spending the initial 10% payment from your jurisdiction's full allocation and the status of any pilot assistance already offered or made available to homeowners.**

Minnesota Housing has spent down \$65,979 to date, exclusively on FTE costs associated with the HomeHelpMN program. These staffing costs are from three FTE positions, the HomeHelpMN Program Manager (hired as of June 2021), the federal Communications staff (hired as of August 2021), and legal counsel. As the procurement process progresses, with all contracts expected to be executed by year-end 2021, the spend-down rate will increase significantly. We have not opened up a HomeHelpMN pilot as we need vendor support to be able to administer the statewide program effectively.

Budget

Your total allocation amount is \$128,663,948. Our records indicate that you have received an initial 10% payment of \$12,866,394.80, and that upon plan approval, you may draw up to \$115,797,553.20.

- **The total budget in your draft HAF plan is for \$128,663,856. Please confirm your budget is correct, and that at this time, you wish to receive less than your remaining allocation. If necessary, please revise your budget, including the initial 10% that was paid in your initial payment.**

We are requesting the total budget allocation for the state of \$12,866,394.00. At this time we are making the three budget adjustments. The first budget change decreases the amount initially anticipated for housing counseling by \$5,650,000 and reallocates that to mortgage reinstatement. The second change is to the legal services budget for \$750,000 to support additional legal services for HAF eligible households. The third change to the budget is to our marketing administrative expense which increased from \$400,000 to \$484,000 with the selection of our marketing vendor. The new totals are reflected in the specific budget line items below.

Counseling or Legal Services

The Participant may allocate up to 5% of its HAF funds for counseling or educational efforts by housing counseling agencies approved by the Department of Housing and Urban Development or a tribal government, or legal services, target to households eligible to be served with funding from the HAF related to foreclosure prevention or displacement.

Specify the Participant's allocations for the following:

	Amount (\$0.00)
Counseling or Educational Services	\$0
Legal Services	750,000
<i>Sub-total:</i>	\$750,000

As a result of this change, we anticipate providing more funding for direct financial assistance and are revising that budget as follows:

Budgeting of HAF Funds by Program Design Element

Specify the amounts of HAF funds that the Participant proposes to allocate to each of the following program design elements, if offered:

	Amount (\$0.00)
Mortgage	\$0.00
Payment	\$42,175,000.00
Assistance	\$36,000,000.00
Mortgage	\$4,000,000.00
Reinstatement	
Mortgage	
Principal	
Reduction	
Facilitate Mortgage Interest Rate	
Reduction	\$0.00
Payment Assistance for Homeowners	\$0.00
Utilities	
Payment Assistance for Homeowner's	
Internet Service	\$11,700,000.00
Payment Assistance for Homeowner's	\$3,040,000.00
Insurance	\$0.00
Payment Assistance for HOA fees or liens	
Payment Assistance for Down Payment	
Assist. Loans	\$11,050,000.00
Payment Assistance for	\$649,356

Delinquent Property Taxes

Other measures to prevent homeowner displacement

Sub-total:

(Enter sum of amounts entered)

\$108,614,356

Allocation of Administrative Expenses

As described in the HAF guidance, up to 15% of a HAF participant’s allocation may be used for administrative expenses. If the participant proposes to use HAF funds for administrative expenses, please specify the proposed expenses and amounts below, providing sufficient detail for Treasury to determine whether the expense is within the definition of “qualified expenses” in the HAF guidance:

Expense Type	Amount (\$0.00)
Staffing & Contingency	\$3,000,000
Marketing	\$484,000
Community Engagement	\$375,000
Vendors – End-to-end Services, Processing, Technology	\$15,440,592
Sub-total:	\$19,299,592

Sub-total:

(Enter sum of amounts entered)

Points of Contact

Please replace Kasey Kier with the following point of contact:

Primary Contact

Name: Judi Mortenson

Agency/Office: Minnesota Housing

E-mail: Judi.Mortenson@state.mn.us

Phone Number: 651.297.2678

Term Sheet Minor Change

We uploaded a new term sheet with a minor change to the Mortgage Default Resolution and Mortgage Reinstatement term sheets that clarified that documentation must be provided for a loan modification, but it does not need to be from the loan servicer.